

AR47

ASBESTOS CORPORATION LIMITED

ANNUAL  
REPORT  
1961



## ASBESTOS CORPORATION LIMITED

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President and Managing Director	A. L. Penhale
Vice-President	Kenneth T. Dawes
General Manager	G. F. Jenkins

### OPERATIONS DIVISION

Asst. General Manager	W. W. Oughtred
Accounting and Purchasing Dept.	J. W. McCarvill, Comptroller J. Yves Paquet, Purchasing Agent
Corporate and Financial Dept.	I. C. Campbell, Secretary-Treasurer
Exploration Department	P. H. Riordon, Exploration Manager
Methods and Training Dept.	J. G. Mooney, Methods & Training Manager
Personnel Department	J. A. Wayland, Personnel Manager
Production Department	C. H. McNaughton, Production Manager C. G. Bourne, Plant Manager, King-Beaver Mine F. A. Cunningham, Plant Manager, British Canadian Mine W. H. Foster, Plant Manager, Normandie Mine
Quality Control Department	G. F. A. Brink, Quality Control Manager

### SALES DIVISION

General Sales Manager	J. A. D. Marcotte
Sales and Traffic	M. P. Carson, Asst. Gen. Sales Manager A. C. Steele, Asst. Gen. Sales Manager J. P. Lafontaine, Sales Office Manager R. G. Kazi, Market Research Manager G. R. Biron, Traffic Manager

## ASBESTOS CORPORATION (EXPLORATIONS) LIMITED

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TORONTO OFFICE	E. G. Robinson, Regional Manager
VANCOUVER OFFICE	W. G. Stevenson, Regional Manager
CALIFORNIA OFFICE	J. H. Bright, District Superintendent

## ASBESTOS CORPORATION SERVICES LIMITED

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LONDON, ENGLAND	W. A. Janitch, Vice-President
CHICAGO OFFICE	P. E. Leclerc, District Manager, Central District
CALIFORNIA OFFICE	E. L. Alexander, District Manager, Western District
NEW YORK OFFICE	V. H. Tower, District Manager, Eastern District



# ANNUAL REPORT

and statement of accounts for the  
year ended December 31, 1961

EB 27/62

ASBESTOS CORPORATION LIMITED

HEAD OFFICE: ROOM 522, CANADA CEMENT BUILDING, 610 CATHCART STREET, MONTREAL, QUEBEC



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## BOARD OF DIRECTORS

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W. A. Arbuckle

G. F. Jenkins

Paul Bienvenu

J. A. D. Marcotte

A. M. Campbell

A. L. Penhale

K. T. Dawes

Lt. Col. J. G. Ross

J. E. L. Duquet, Q.C.

Edward C. Wood



## HIGHLIGHTS OF 1961

	1961	1960
INCOME BEFORE TAXES .....	\$6,623,684	\$5,089,653
FEDERAL, PROVINCIAL & MUNICIPAL TAXES .....	2,970,635	2,180,045
EARNINGS PER SHARE .....	\$2.27	\$1.81
DIVIDENDS PAID:		
(a) Total amount .....	2,880,000	2,520,000
(b) Per share .....	\$1.60	\$1.40
PAID TO EMPLOYEES DURING THE YEAR .....	9,249,437	9,109,427
NET CAPITAL EXPENDITURES .....	1,120,868	964,127
RE-INVESTED IN THE BUSINESS .....	1,205,684	739,653
DEPRECIATION .....	1,850,000	1,600,000
WORKING CAPITAL .....	11,612,935	9,047,781
TOTAL ASSETS .....	39,166,449	37,669,271
NUMBER OF EMPLOYEES .....	1,836	1,863
NUMBER OF SHAREHOLDERS .....	6,622	6,729





## REPORT OF THE DIRECTORS to the shareholders

Montreal, February 21, 1962

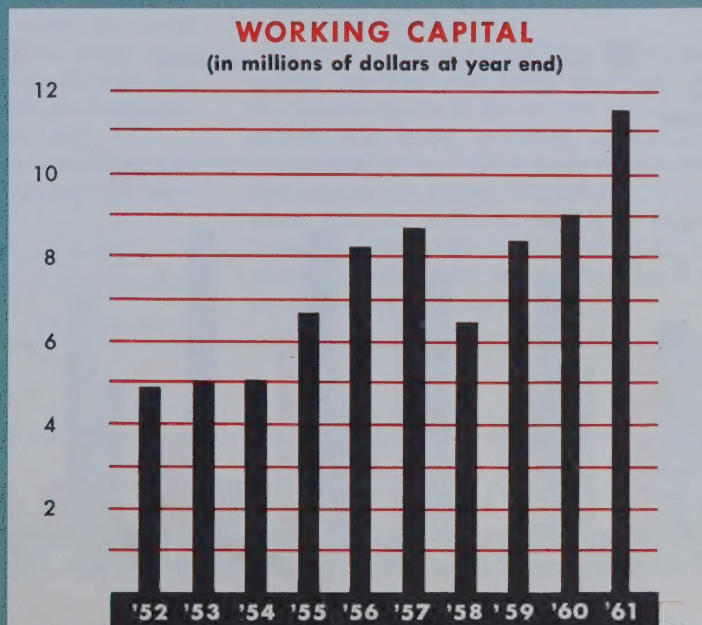
Your Directors submit the thirty-sixth annual report of the Company, with Balance Sheet and Statement of Income and Earned Surplus for the year ended December 31st, 1961, as certified by your auditors, Messrs. Price Waterhouse & Co.

Income for the year, after all expenses but before provision for depreciation or taxes on income, amounted to \$8,473,684 as compared with \$6,689,653 for 1960. From this an amount of \$1,850,000 was set aside for depreciation and \$2,538,000 provided for taxes on income, leaving net earnings of \$4,085,684 or \$2.27 per share compared with the figure for the previous year of \$3,259,653 or \$1.81 per share.

Dividends totalling \$2,880,000 or \$1.60 per share were paid as opposed to \$2,520,000 or \$1.40 for 1960, and the balance added to surplus account. Additions to fixed assets during the year came to \$1,432,000. Working capital stood at \$11,612,935 at the year's end, an increase of \$2,565,154 over the previous period.

In last year's report, reference was made to a re-assessment notice received from the Taxation Division of the Department of National Revenue which disallowed the capital cost allowances on account of Normandie Mine assets previously claimed by the Company during the tax-free period of operations at that mine.

In 1961, as a result of submissions made to the Department by Company counsel, the Department has indicated that it will withdraw such re-assessments and accordingly, in anticipation of such action, an adjustment with respect to the Deferred Credit account - taxes applicable to future years has been made as at December 31st, 1961.





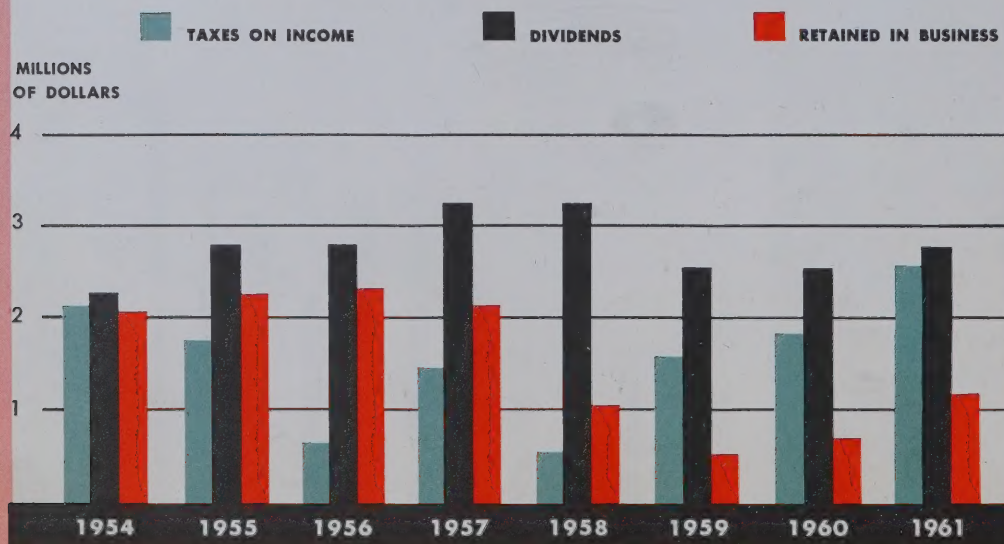
## SALES

Your Company's sales for 1961 established a new record for both volume and value and were approximately 12% ahead of 1960 figures. This new record was achieved in the face of severe competition and the instability of some markets for certain grades of fibre. The entire increase was attributable to improved overseas export sales in almost all major geographical areas and in particular to the enlarged demand for asbestos cement grades, in which market your Company's products find special favour. Offsetting the improvement in shipments abroad was the further decline of sales to the United States where the demand for all grades of asbestos declined. With the expectation of increased business activity in the United States for 1962 it seems likely that there will be some modest gain in sales to that area in the coming year. In response to the current emphasis being placed on technical service in selling asbestos, your Company has formed a wholly owned subsidiary Asbestos Corporation Services Limited, which has offices in London, New York, Chicago and San Francisco.

During the year your Company's sales staff has been enlarged and re-organized, a market research manager has been employed, new agents appointed and research facilities augmented. In 1962 a planned product advertising programme is to be undertaken.

The overall sales outlook for 1962 seems encouraging. Increasing demand for medium length fibres is expected to continue with the result that the productive capacity of the Canadian industry for these grades is likely to be in balance for the first time in several years. On the other hand sales of long staple grades, despite some minor improvement in the past year, continue to lag and any change in this situation appears to be dependent on development of new uses. In the market for short fibres too, there is over-capacity within the industry, and the disposal of the available volume of these low profit grades in the face of the rigid specifications currently demanded is a problem which is not likely to be solved in the course of the coming year. Again the long term solution appears to lie in the field of new uses such as asphalt paving.

## DISTRIBUTION OF NET EARNINGS





## DISTRIBUTION OF INCOME DOLLAR

	%
WAGES & SALARIES	33.6
MATERIALS, SUPPLIES & SERVICES	24.0
FUEL & POWER	4.7
TAXES & INSURANCE	11.6
DIVIDENDS	10.4
RE-INVESTED IN THE BUSINESS	4.4
DEPRECIATION	6.7
OTHER REQUIREMENTS	4.6
TOTAL:	100%



## OPERATIONS

Faced with the strong demand for asbestos cement fibres your Company's properties were running at or near capacity throughout the year and in the case of the British Canadian Mine there was not even the usual vacation shut-down. At the same time asbestos inventory at the year's end had been reduced by 16% in volume compared to the figure for the previous year.

The following table shows the materials handled at all properties during the past two years:

	1961	1960
Stripping .....	2,505,010 cu.yds.	1,064,258 cu.yds.
Barren Rock Mined.....	10,279,059 tons	10,136,952 tons
Barren Rock Sorted from Ore.....	406,979 tons	281,929 tons
Ore Milled.....	4,275,948 tons	4,164,934 tons
Average Daily Tonnage of Rock Mined..	56,240 tons	56,161 tons
Average Daily Tonnage of Ore Milled...	15,381 tons	15,182 tons

The substantial increase in stripping in 1961 over the previous year was due to an expanded one year programme at the Normandie Mine involving the removal of more than a million cubic yards.

In view of the more selective mining and milling practices now being employed and the improvements in the quality of asbestos grades now being marketed, a complete re-appraisal of your Company's ore reserves was undertaken during the past year, which, taken together with the results of further diamond drilling and after allowing for ore consumed during the year, gives the following picture as at December 31st:

	1961 (tons)	1960 (tons)
King-Beaver Mine.....	13,870,000	11,000,000
British Canadian Mine...	48,760,000	51,000,000
Normandie Mine.....	23,250,000	23,965,000
Other Properties.....	12,900,000	18,000,000
	98,780,000	103,965,000



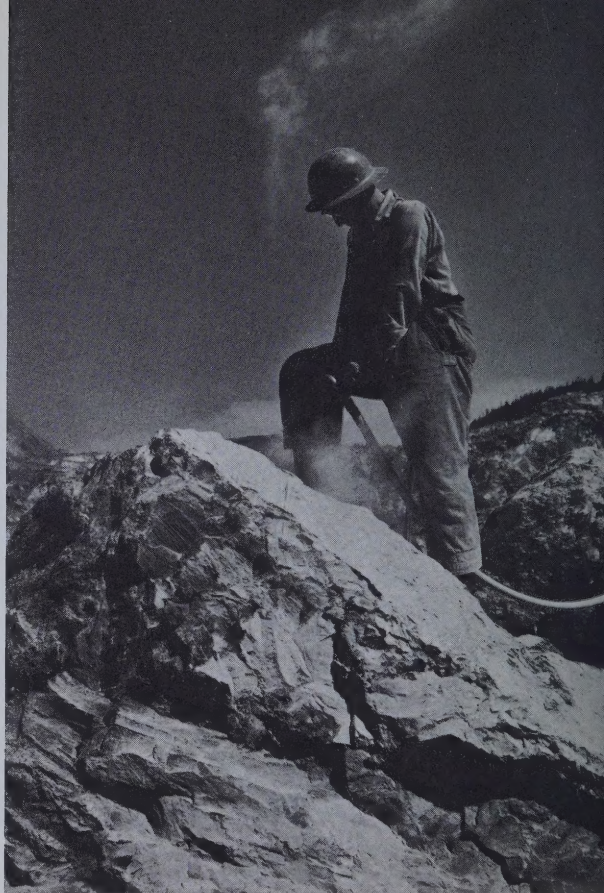
Diamond core drilling during the year was almost double that of the previous period as a result of a programme designed to determine future mining plans at the Normandie and King-Beaver Mines.

	1961 (feet)	1960 (feet)
King-Beaver Mine.....	40,729	13,716
British Canadian Mine...	5,097	21,231
Normandie Mine.....	70,957	6,202
Non-Operating Properties.	26,014	27,040
Outside Properties.....	—	11,666
	142,797 ft.	79,855 ft.

Expenditures on new plant and equipment were on a relatively modest scale during 1961, totalling \$871,285. Major improvements included the conversion of the ore drying process from coal to oil burning at both the King-Beaver and British Canadian Mines with substantial savings in fuel costs. At the British Canadian Mine five new 27-ton Diesel trucks and a new heavy duty tractor were purchased, a new spinning fibre circuit was completed in the mill, and a new haulageway constructed. A new Diesel shovel, a tractor and loading machine were bought for the Normandie pit to replace old equipment, and semi-automatic palletizing equipment was installed in the mill.

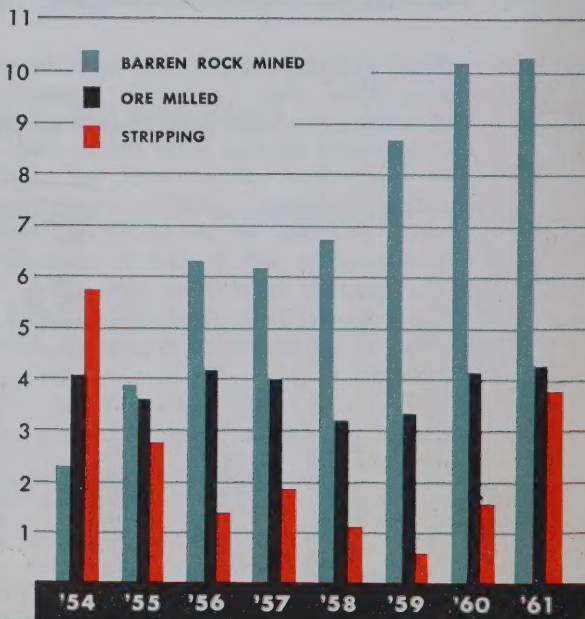
At the Normandie Mine a pilot plant employing a new process for producing finely ground asbestos fillers was completed and testing of these new products in the field is underway.

In addition to direct cooperation with Provincial authorities in the evaluation of the use of asbestos in asphalt paving materials, your Company has undertaken its own testing programme on its own property where various test strips have been laid in areas subject to severe wear and tear with a view to accelerating the test results.



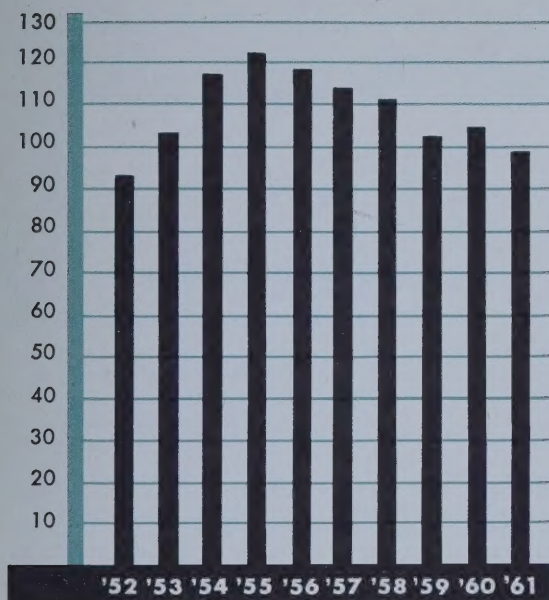
## TONNAGES HANDLED

MILLIONS OF TONS

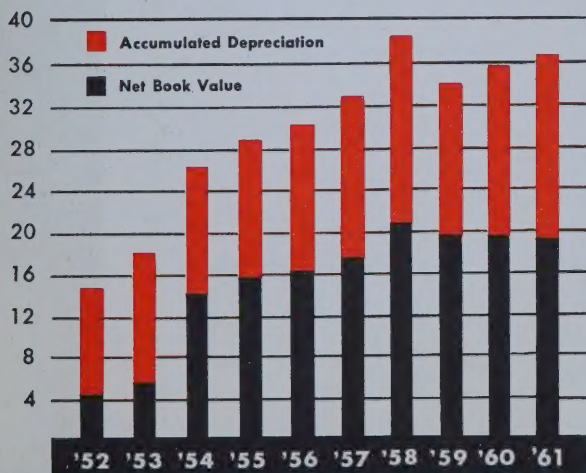




## ORE RESERVES (in millions of tons)



## PLANT and EQUIPMENT (in millions of dollars at year end)



## EXPLORATION

As forecast in last year's report, an expanded exploration programme got under-way in 1961 under the auspices of your Company's wholly owned subsidiary Asbestos Corporation (Explorations) Limited. Regional offices were opened in Toronto, Vancouver and in California and experienced trained personnel were employed to man these centres. In view of the importance of exploration to your Company, this major activity is dealt with in some detail elsewhere in this report.

## GENERAL

In reviewing the year just past, mention should also be made of the Quality Control Department and its continuing efforts in this important field. Facilities for this department were further improved during the year. The Methods & Training Department, in addition to its usual work in the realm of employee training described in last year's report, has prepared, in cooperation with the operating staff, a complete new job evaluation plan for hourly rated jobs.

Your Company's labour contracts with both its hourly rated and salaried employees expired at the end of the year and negotiations for their renewal are currently underway with the respective union bargaining agents. Details of the high level of the existing wage rates and employee benefits will be found in another section of this report.

Your Directors gratefully acknowledge and record their appreciation of the loyalty, support and competence of the officers and employees throughout the past year.

On behalf of the Board of Directors.

A. L. PENHALE



# AUDITORS' REPORT

PRICE WATERHOUSE & Co.

CANADA CEMENT BUILDING  
PHILLIPS SQUARE  
MONTREAL 2

AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
ASBESTOS CORPORATION LIMITED

We have examined the balance sheet of Asbestos Corporation Limited as at December 31, 1961 and the statement of income and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statement of income and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1961 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Price Waterhouse & Co.*  
Chartered Accountants.

MONTREAL, January 23, 1962.



# STATEMENT OF INCOME AND EARNED SURPLUS

YEAR ENDED DECEMBER 31 1961 (with 1960 figures shown as a basis for comparison)

	1961		1960	
Income from operations before taking into account the items undernoted . . . .		\$ 8,228,378		\$ 6,417,125
Interest on investments . . . . .		378,952		342,907
Miscellaneous revenue . . . . .		121,489		149,628
		<u>\$ 8,728,819</u>		<u>\$ 6,909,660</u>
Executive salaries . . . . .	\$ 131,820		\$ 128,720	
Legal fees . . . . .	11,797		13,628	
Directors' fees . . . . .	11,300		11,617	
Exploration and prospecting expenses . . . . .	100,218		66,042	
Provision for depreciation . . . . .	1,850,000	2,105,135	1,600,000	1,820,007
		<u>\$ 6,623,684</u>		<u>\$ 5,089,653</u>
Provision for taxes on income . . . . .	\$2,481,000		\$1,250,000	
Tax applicable to future years . . . . .	57,000	2,538,000	580,000	1,830,000
		<u>\$ 4,085,684</u>		<u>\$ 3,259,653</u>
Net income . . . . .		10,171,800		9,432,147
Earned surplus, January 1 . . . . .		<u>\$14,257,484</u>		<u>\$12,691,800</u>
Dividends—				
Regular . . . . .	\$2,160,000		\$2,160,000	
Extra . . . . .	720,000	2,880,000	360,000	2,520,000
		<u>\$11,377,484</u>		<u>\$10,171,800</u>

Note: In computing 1961 income for tax purposes, capital cost allowances of \$171,500 in excess of depreciation recorded in the accounts have been claimed. The tax saving of \$57,000 has been deferred.



# ASBESTOS CORP

## BALANCE SHEET

ASSETS	1961	1960
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$ 750,675	\$ 415,817
Government of Canada securities . . . . . (Market value \$6,400,000)	6,150,000	5,350,000
Accounts and bills receivable, less allowance for doubtful accounts . . . . .	2,863,675	1,845,396
Inventories of stocks on hand—		
Asbestos, valued at the lower of cost or market . . . .	3,364,717	3,521,552
Materials and supplies, at laid down cost . . . . .	1,415,302	1,395,592
Prepaid taxes, insurance, etc. . . . .	194,815	186,181
	<u>\$14,739,184</u>	<u>\$12,714,538</u>
<b>SPECIAL FUNDS:</b>		
Cash, trust certificates, government securities and other investments set aside for special corporate purposes . .	\$ 4,752,244	\$ 4,829,947
Employees' mortgages . . . . .	317,150	348,947
	<u>\$ 5,069,394</u>	<u>\$ 5,178,894</u>
<b>PROPERTIES, at cost:</b>		
Land and mineral areas . . . . .	\$ 2,358,065	\$ 2,108,483
Less: Accumulated depletion . . . . .	1,917,847	1,917,847
	<u>\$ 440,218</u>	<u>\$ 190,636</u>
Buildings, plant and equipment . . . . .	\$36,553,557	\$35,682,271
Less: Accumulated depreciation . . . . .	17,635,906	16,097,068
	<u>\$18,917,651</u>	<u>\$19,585,203</u>
	<u>\$19,357,869</u>	<u>\$19,775,839</u>
	<u>\$39,166,447</u>	<u>\$37,669,271</u>



# R A T I O N L I M I T E D

DECEMBER 31 1961

(1960 figures shown as a basis for comparison)

LIABILITIES	1961	1960
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities . . . . .	\$ 1,810,064	\$ 1,452,732
Income and other taxes . . . . .	1,316,185	2,214,025
	<u>\$ 3,126,249</u>	<u>\$ 3,666,757</u>
<b>DEFERRED CREDIT</b> —tax applicable to future years . . . . .	<u>\$ 4,150,000</u>	<u>\$ 3,318,000</u>
<b>CAPITAL STOCK:</b>		
Represented by 1,800,000 shares of no par value out of a total authorized issue of 3,600,000 shares . . . . .	<u>\$ 5,512,714</u>	<u>\$ 5,512,714</u>
<b>GENERAL RESERVE</b> . . . . .	<u>\$14,000,000</u>	<u>\$14,000,000</u>
<b>SURPLUS:</b>		
Distributable surplus . . . . .	\$ 1,000,000	\$ 1,000,000
Earned surplus, per statement attached . . . . .	11,377,484	10,171,800
	<u>\$12,377,484</u>	<u>\$11,171,800</u>
<b>CONTINGENT LIABILITY:</b>		
The Corporation has a contingent liability of an aggregate amount of \$2,000,000 as endorser of certain notes, the payment of which is unconditionally guaranteed by foreign banks.		
SIGNED ON BEHALF OF THE BOARD:		
A. L. PENHALE, Director	<u>\$39,166,447</u>	<u>\$37,669,271</u>
KENNETH T. DAWES, Director		



# STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31 1961

## Provided from operations—

Net income for the year . . . . .	\$4,085,684	
Depreciation for the year, not representing cash outlay . . . . .	<u>1,850,000</u>	\$5,935,684
Net transfer to deferred taxes . . . . .		832,000
Transferred from funds set aside for special corporate purposes . . . . .		<u>109,500</u>
Total to be accounted for . . . . .		<u>\$6,877,184</u>

## Expended as follows—

Additions to fixed assets . . . . .	\$1,432,030	
Dividends paid . . . . .	<u>2,880,000</u>	\$4,312,030
Increase in working capital . . . . .		<u>2,565,154</u>
Total accounted for . . . . .		<u>\$6,877,184</u>





## A FIVE-YEAR SUMMARY

	1961	1960	1959	1958	1957
NET INCOME BEFORE TAXES	\$6,623,684	\$5,089,653	\$4,676,379	\$4,743,769	\$6,616,191
FEDERAL, PROVINCIAL & MUNICIPAL TAXES	\$2,970,635	\$2,180,045	\$1,883,704	\$ 894,900	\$1,629,873
NUMBER OF EMPLOYEES	1,836	1,863	1,796	1,995	1,957
PAID TO EMPLOYEES DURING THE YEAR	\$9,249,437	\$9,109,427	\$8,411,898	\$9,085,916	\$8,577,024
NUMBER OF SHAREHOLDERS	6,622	6,729	6,573	5,959	5,412
PAID TO SHAREHOLDERS AS DIVIDENDS	\$2,880,000	\$2,520,000	\$2,520,000	\$3,150,000	\$3,150,000
NET CAPITAL EXPENDITURES	\$1,120,868	\$ 964,127	\$ 646,159	\$5,246,554	\$2,444,930
RE-INVESTED IN THE BUSINESS	\$1,205,684	\$ 739,653	\$ 537,379	\$1,070,110	\$2,165,933
EARNINGS PER SHARE	\$ 2.27	\$ 1.81	\$ 1.69	\$ 2.29	\$ 2.90
DIVIDENDS PER SHARE	\$ 1.60	\$ 1.40	\$ 1.40	\$ 1.75	\$ 1.75





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## EXPLORATION

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As in any mining enterprise adequate ore reserves are basic to your company. No mine is inexhaustible and these wasting assets must be renewed if your company is to continue in the mining business. The discovery and development of new ore reserves is the prime responsibility of the Exploration Department whose activity can be roughly divided into: (a) Assessment and development of ore forming part of or adjacent to existing operations; (b) Outside exploration involving the discovery and evaluation of mineral deposits frequently far removed from present day properties.

Your Company's exploration manager is also manager of its wholly owned subsidiary, Asbestos Corporation (Explorations) Limited through which agency outside exploration is conducted. Regional offices of this company are located in Vancouver for Western Canada, in Toronto for Eastern Canada and in California for the Western United States. Whilst your Company is primarily interested in asbestos deposits, other minerals are not ignored.

The tools of exploration are many and varied, geological knowledge of course is fundamental whether it be in the interpretation of geological reports or the analysis of geophysical data. A fruitful source of information on mineral occurrences in remote areas is still the prospector. Once an area worthy of investigation is discovered, there still must be a detailed on the spot appraisal, usually involving one or more of the following: diamond core drilling, trenching, bulk sampling, mapping, assaying, testing and eventually evaluation.

During the course of 1961, forty-six mineral properties were examined and two prospecting teams were employed. As an indication of the



## SHAREHOLDERS AND INVESTMENT

	NO. OF SHAREHOLDERS shown in thousands	INVESTMENT in millions of \$
1957	5,412	28,337,372
1958	5,959	29,407,482
1959	6,573	29,944,861
1960	6,729	30,684,514
1961	6,622	31,890,198

## GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS AND SHAREHOLDINGS

	Shares	%	Shareholders	%
CANADA	1,647,380	91.5	6,247	94.2
UNITED STATES	51,757	2.9	204	3.2
UNITED KINGDOM	76,641	4.3	97	1.5
OTHER COUNTRIES	24,222	1.3	74	1.1
TOTAL	1,800,000	100%	6,622	100%

## ASBESTOS CORPORATION SHAREHOLDERS

	Number	%
MEN	3,069	46.4
WOMEN	2,888	43.6
CORPORATE AND OTHER GROUP HOLDERS	665	10.0
TOTAL	6,622	100%

odds against finding a mine, only three properties proved to be of sufficient interest to warrant further detailed investigation, an asbestos property in California, a silver prospect in the Yukon Territory and a copper-silver occurrence in Northern British Columbia.

In addition to such work conducted solely on behalf of the Company, joint exploration programmes are currently underway with British-Newfoundland Explorations Limited in Labrador and Yukon Consolidated Gold Corporation Limited in the Yukon. It is expected that in 1962 outside exploration will be further intensified.

## SHAREHOLDERS

Over the past five years the number of shareholders in your company has increased from 5,412 to 6,622 and in the same period, the total equity of these shareholders has risen from \$28,337,372 to \$31,890,198. Since 1948, when shareholders numbered 3,703 and their equity was \$9,265,274, the increase amounts to 43% in the case of shareholders, and 244% in equity as compared with the figures for the end of 1961.

Concurrently, with this wider distribution of shares there has been an even greater concentration of shareholdings and shareholders registered in Canada. To-day 91.5% of issued shares are registered in Canada as opposed to 86% in 1957 and 94.2% of shareholders are Canadian as compared with 92.5% five years ago.

The shareholders in your company are a large and diverse group consisting of many individuals, and corporate holders such as banks, investment trusts, insurance companies and pension funds.



## EMPLOYEES

While the number of shareholders has increased in the period reviewed above, the number of employees has declined somewhat from a high of 2,087 in 1955 to 1,836 in 1961. Payments to all employees have risen in the same period from \$8,437,911 to \$9,249,437.

Such figures do not reveal the extent to which

employees, particularly the hourly paid group, have benefited over these years. The tabulation which follows will indicate just how well paid this group is and at the same time point up just what this means to your company in terms of the cost of labour which represents almost 55% of operating costs.

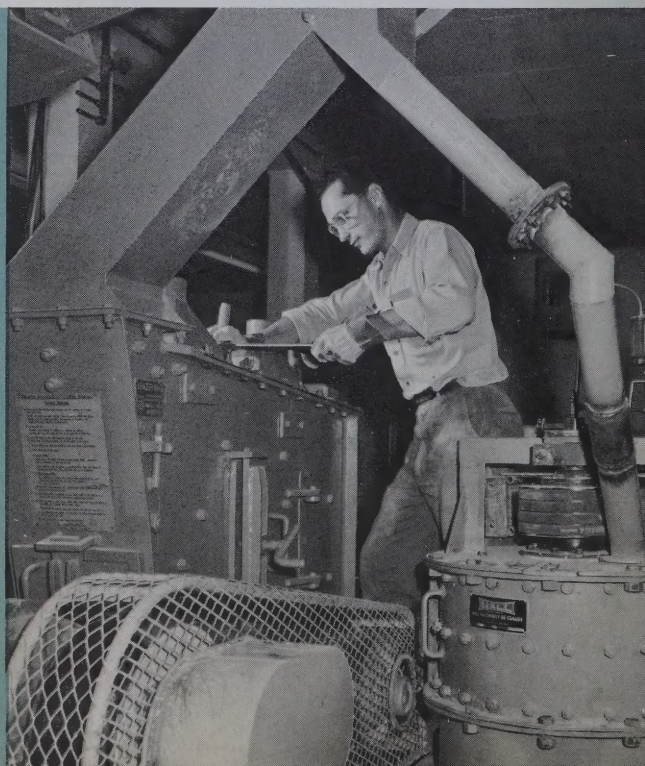
## LABOUR COSTS AND EARNINGS IN DOLLARS PER HOUR

	Minimum Base Rate	Cost-of- Living Bonus	Minimum Hourly Rate	Average Hourly Earnings*	Fringe Benefits	Total Cost of One Hour's Labour
1948	\$0.85	nil	\$0.85	\$0.95	\$0.03	\$0.98
1957	\$1.64	\$0.10	\$1.74	\$1.90	\$0.27	\$2.17
1961	\$1.91	nil	\$1.91	\$2.16	\$0.50	\$2.66

\*Including shift differentials and overtime.

From these figures it can be seen that the proportionate increase in the factors making up the total cost to your company of an hour's work, is very much higher in the case of the so-called fringe benefits such as pensions, group insurance, paid holidays and vacations, medical

examinations, etc. Regardless of what they may collectively be called, these benefits are real, expensive and very definitely part of an employee's earnings and his employer's cost and should be considered as such in making any comparisons.





## **BANKERS**

The Royal Bank of Canada

## **TRANSFER AGENTS**

The Royal Trust Company, Montreal, Toronto

## **REGISTRAR**

Crown Trust Company, Montreal, Toronto

## **GENERAL COUNSEL**

Duquet, MacKay & Weldon, Montreal

## **AUDITORS**

Price Waterhouse & Co., Montreal





• **ASBESTOS** •